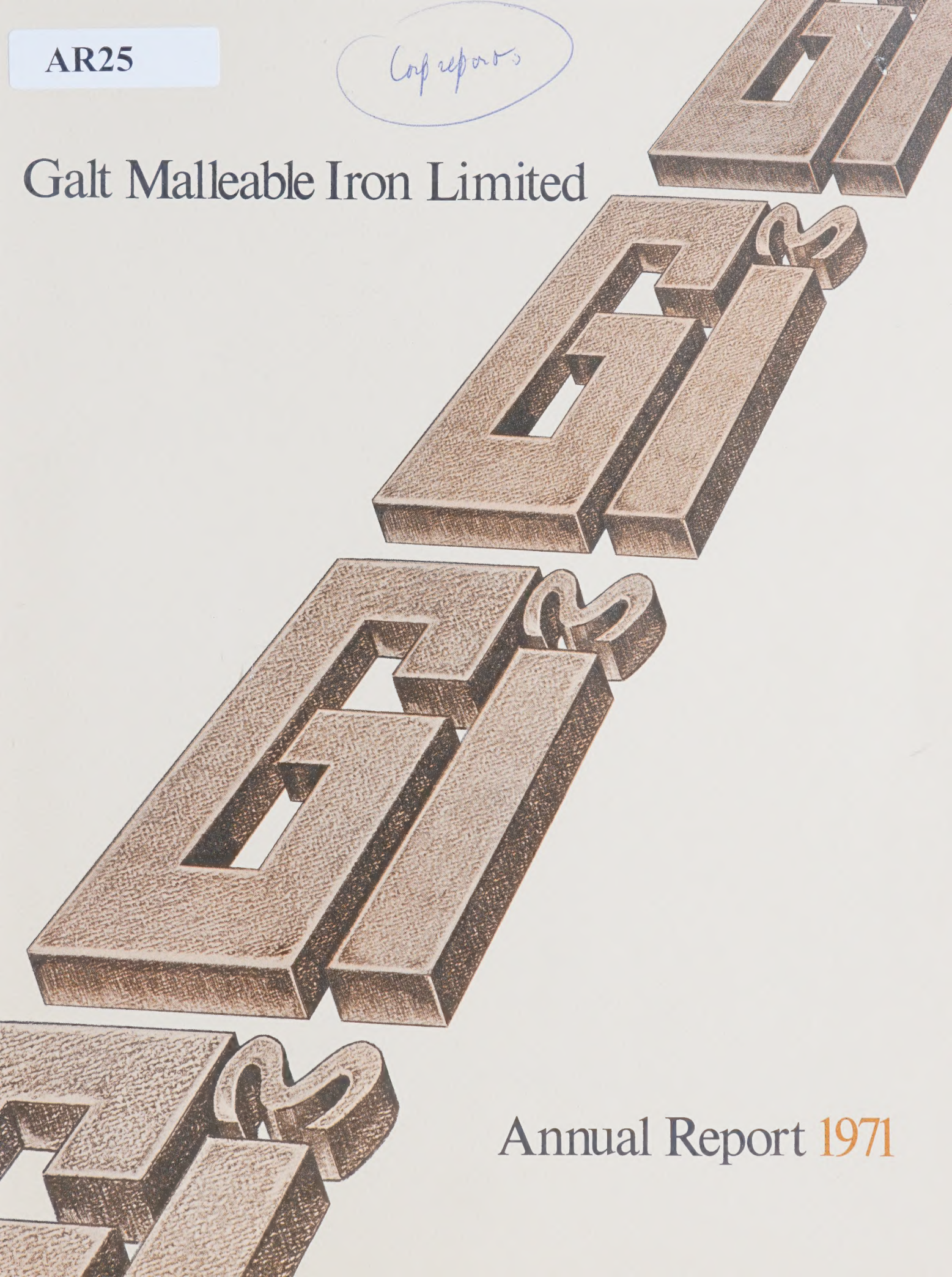


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# Galt Malleable Iron Limited



Annual Report 1971





## Five Year Financial Review

### Statement of Income

	1971	1970	1969	1968†	1967†
Sales . . . . .	\$8,360,270	\$7,389,728	\$7,242,867	\$6,250,797	\$5,228,356
Income before undernoted items . . . . .	1,424,886	738,805	1,100,868	1,029,130	883,702
Depreciation . . . . .	339,741	204,069	170,949	153,998	150,907
Amortization of deferred financial expense . .	4,842	4,842	790	790	790
Interest on long-term debt . . . . .	286,865	230,353	88,554	110,980	130,036
Other interest . . . . .	10,452	39,600	52,410	49,817	52,109
Loss (profit) on sale of fixed assets . . . . .		24,246			(4,499)
	641,900	503,110	312,703	315,585	329,343
Income before income taxes, minority interest and extraordinary items . . . . .	782,986	235,695	788,165	713,545	554,359
Income taxes . . . . .	410,085	138,819	441,159	166,960	215,669
Income before minority interest and extraordinary items . . . . .	372,901	96,876	347,006	546,585	338,690
Dividends on preference shares paid to minority shareholders of subsidiary company . . . . .	12,000	12,000	15,780	23,400	
Income before extraordinary items . . . . .	360,901	84,876	331,226	523,185	338,690
Extraordinary items . . . . .			177,850		
Net income for the year . . . . .	\$ 360,901	\$ 84,876	\$ 509,076	\$ 523,185	\$ 338,690

### Financial and Other Information

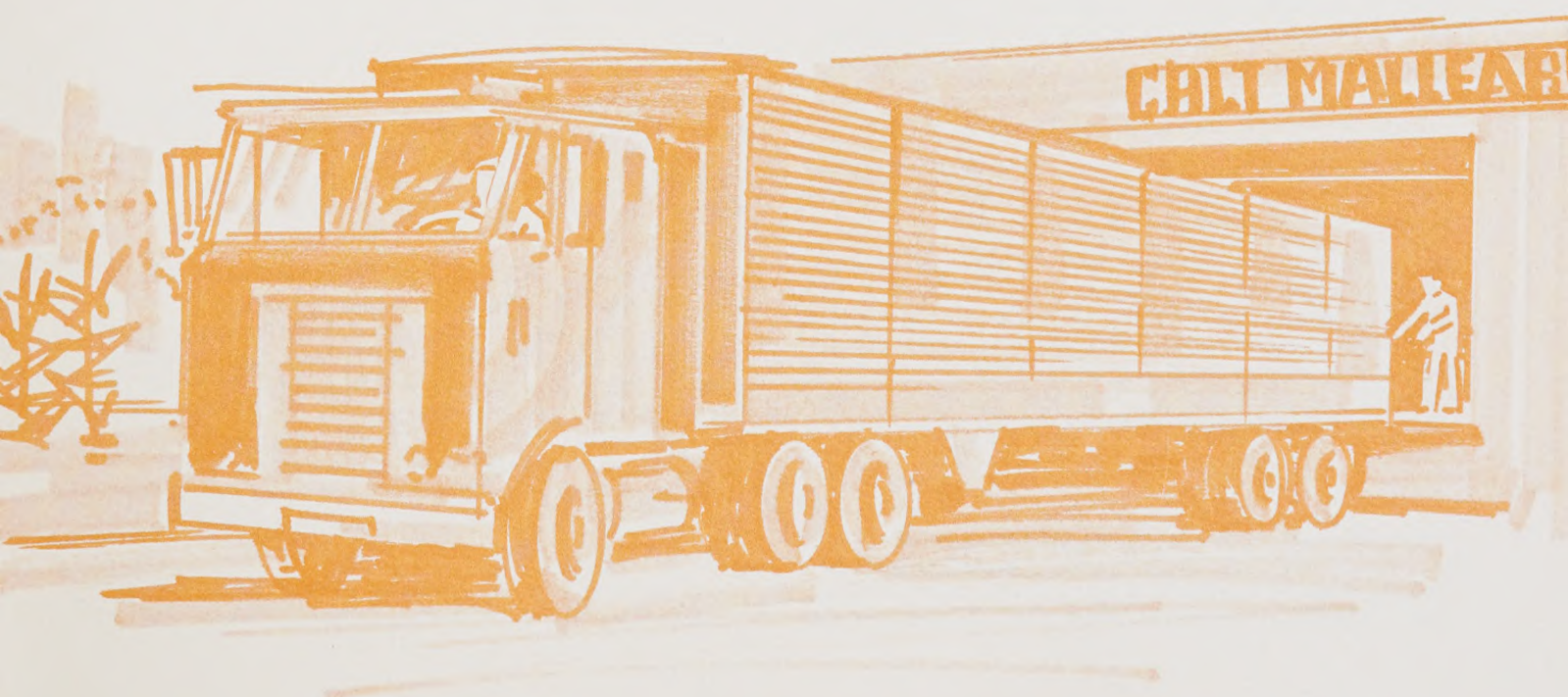
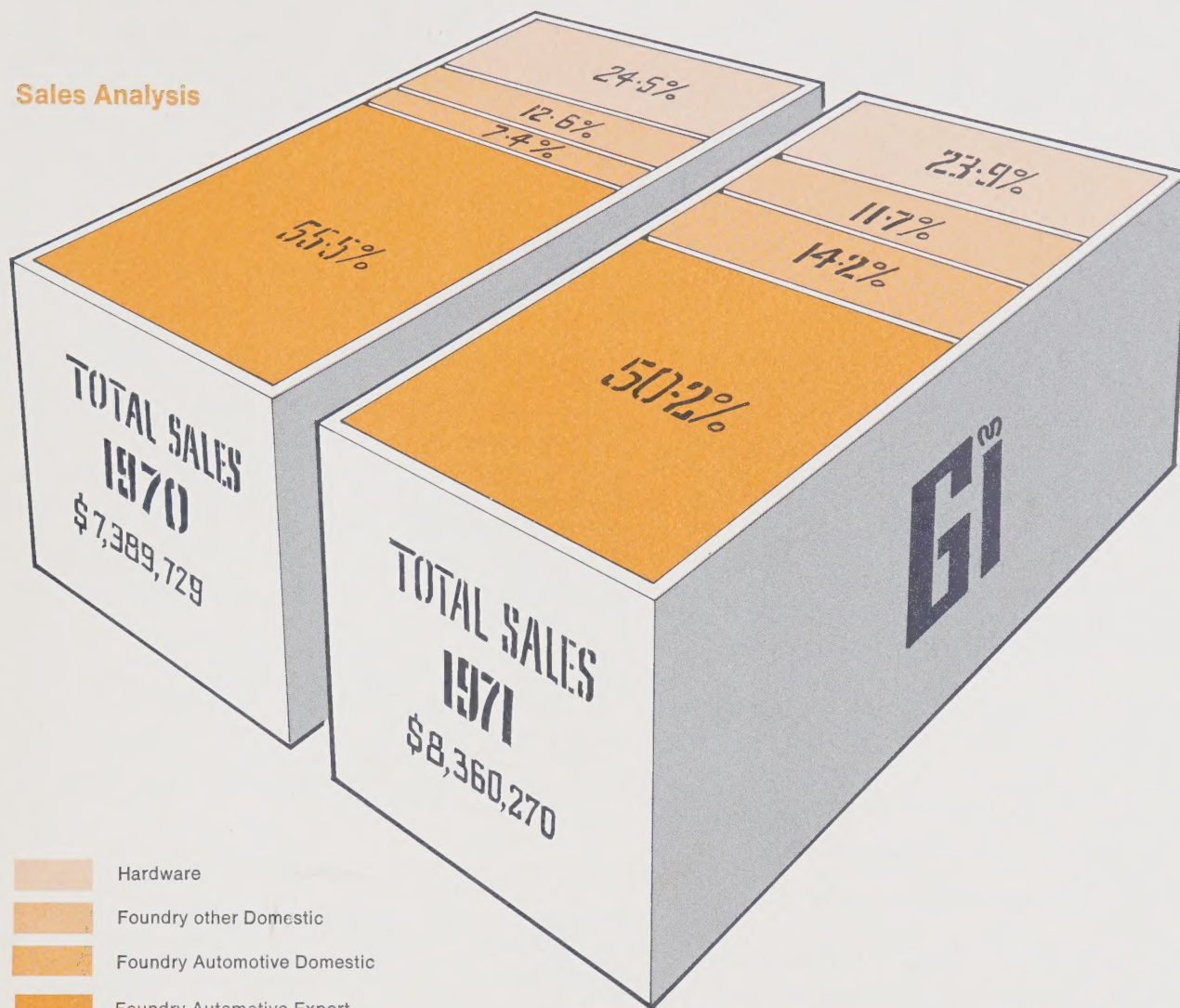
Working capital . . . . .	\$1,121,951	\$ 773,413	\$1,004,589	\$ 548,531	\$ 340,642
Working capital ratio . . . . .	1.98-1	1.70-1	1.66-1	1.53-1	1.23-1
Long-term debt . . . . .	3,502,697	3,700,410	2,774,600	1,269,400	1,465,000
Number of shares outstanding—first preference . .	336	336	336	336	366
—second preference . . . . .	279	299	309	309	334
—common* . . . . .	652,500	652,500	652,500	650,000	595,000
Preference shareholders' equity . . . . .	\$ 61,500	\$ 63,500	\$ 64,500	\$ 64,500	\$ 107,121
Common shareholders' equity . . . . .	\$2,879,836	\$2,620,405	\$2,539,392	\$2,094,563	\$1,572,277
Total shareholders' equity . . . . .	\$2,941,336	\$2,683,905	\$2,603,892	\$2,159,063	\$1,679,398
Earnings per common share*. . . . .	\$ .55	\$ .12	\$ .77	\$ .80	\$ .56
Common share return on common equity . . . . .	12.4%	3.2%	20.0%	25.0%	21.5%

\*Including extraordinary items. The figures for 1967, 1968, 1969 and 1970 have been adjusted to reflect the subdivision of common shares effected in 1971.

†The figures for 1967 and 1968 have been adjusted to reflect the additional income taxes assessed during 1970 and certain figures have been reclassified in order to present them in a form comparable with those for 1969, 1970 and 1971.



## Sales Analysis





# Galt Malleable Iron Limited

and subsidiary companies

## Report to Shareholders

Your directors are pleased to submit the 1971 annual report for Galt Malleable Iron Limited and its subsidiary companies, Galt-Brantford Malleable Limited and G.M.I. Properties Limited, together with consolidated financial statements for the fiscal year ended December 31, 1971.

### Financial Results

During 1971 your company enjoyed a significant increase in both sales and earnings, with all divisions contributing to this improvement.

Consolidated sales for the year ended December 31, 1971 were \$8,360,270 compared to \$7,389,728 in 1970, an increase of approximately 13%.

Net profit for the year, after giving full effect to current and deferred income taxes, increased to \$360,901 or 55c per common share, from \$84,876 (12c) in the previous year. Earnings per share for fiscal 1970 have been adjusted to reflect the five for four common share split authorized by shareholders in 1971.

Significantly, improvements in sales and earnings during 1971 were achieved at a time when the Canadian economy was under severe pressure from internal inflationary forces and trade between Canada and the U.S. was hampered by monetary and balance of payment problems. While automotive parts were not directly affected by the short-lived surcharge on imports, enforced price and income restraints in the U.S., without comparable measures in Canada could, in the long run, have an adverse effect on your company's competitive position in the U.S. marketplace.

The healthy financial situation of your company as of December 31, 1971, is reflected in a substantial increase in working capital, a strong cash flow and the elimination of bank indebtedness.

Under the circumstances, your directors felt justified in declaring a dividend of 15c per common share payable December 31, 1971 to shareholders of record as of December 24, 1971.

In line with company policy and in view of improved financial results, your directors, subsequent to December 31, 1971, approved the redemption of \$100,000 of Class A Preference Shares of Galt-Brantford Malleable Limited held by a minority interest. Subject to continuing satisfactory performance, it is the company's intention to redeem the balance of these shares in the amount of \$100,000 as soon as feasible.

### Operations

The improvement in earnings during 1971 was primarily due to the progressively increasing efficiency and productive capability of your company's Brantford foundry. This plant, now one of the most modern foundry facilities in North America, demonstrated

its full potential by reaching design capacity in manufacturing throughput during the last quarter of 1971.

With the successful conclusion of a three-year labour contract in late 1971, your management is looking forward to profitable operations at the Brantford plant.

During 1971 your company's foundry and hardware divisions in Galt continued to operate near capacity levels, supplying a diversified range of products to industry.

The large increase in productive capacity and cost efficiency brought about by the expansion of the Brantford facility enabled your management to pursue in 1971 a more ambitious and aggressive marketing program. This resulted not only in a higher volume of sales in established product lines but also in the addition of new automotive and hardware items to your company's range of manufactured goods.

### Capital Expenditures

In compliance with regulations, an efficient air pollution control system was installed in 1971 at the Galt foundry. The cost of this installation, \$165,738, was covered by a long-term loan. No such additional equipment will be required at the Brantford plant which was designed to conform with present pollution control regulations.

In addition, \$54,931 was spent in 1971 on various items required in the normal course of business.

### Outlook for the Future

Your directors are pleased to report that preliminary results for the first quarter of the current year indicate a continuation of the upward trend in the company's sales and earnings. This reflects the current strong demand for automotive parts and industrial hardware produced by your company and augurs well for its progress in 1972.

Notwithstanding some closures in the malleable foundry industry due to undercapitalization, plant obsolescence and air and water pollution control capital costs, your directors believe that this industry is an important and necessary factor in the growth of the North American economy. Malleable iron has been one of the cornerstones of North American industry for over 100 years. Contrary to some predictions, this strong, low-cost material is enjoying a constantly growing demand. Despite tremendous changes in technology and intense competition from other metals, alloys and totally new materials, the use of malleable iron has been increasing at a steady rate.

One of the reasons for this demand is the development of higher strength malleable irons but even more important is the growing



awareness of malleable's many advantages. A new generation of engineers is now calling on malleable for a wide variety of applications in "new" as well as "established" industries.

This optimistic view of the future for the industry and for your company in particular has to be tempered with realism as to the future impact of economic and political problems which currently beset the international scene. Paramount among them are the lack of stability in world monetary relations, control of inflationary pressures and equitable international trade arrangements.

### Employees of the Company

Your directors wish to express their appreciation to all employees for their loyalty and dedication. Recognizing that a corporation's greatest asset is "people", management is striving to provide an environment in which employees and their families can achieve a sense of pride, satisfaction and a secure future with your company.

### Annual and General Meeting

The annual and general meeting of the shareholders of the company will be held in the Confederation Suite (Room No. 6) of

the Royal York Hotel, Toronto on April 26th, 1972 at 10:00 a.m. Toronto time. A notice of the meeting and information circular is enclosed with this annual report.

Your directors hope that as many shareholders as possible will attend the meeting in person. However, if you are unable to attend, may we urge you to sign and return your proxy so that you will be represented at the meeting.

On behalf of the board,

D. L. CHANDLER  
*Chairman*

H. C. MACKAY  
*President*

Galt, Ontario  
March 27, 1972



# Galt Malleable Iron Limited

(Incorporated under the laws of Ontario)

and subsidiary companies

## Consolidated Balance Sheet December 31, 1971

(with comparative figures at December 31, 1970)

### ASSETS

#### CURRENT ASSETS

	1971	1970
Cash . . . . .	\$ 192,523	\$ 59,533
Marketable securities, at cost (quoted market value 1971, \$33,600; 1970, \$28,028) . . . .	42,689	42,689
Accounts receivable . . . . .	1,068,847	799,812
Advances receivable on long-term debt . . . . .	165,738	188,207
Inventories (note 2) . . . . .	776,618	771,480
Prepaid expenses . . . . .	17,295	20,772
	<u>2,263,710</u>	<u>1,882,493</u>

#### OTHER ASSETS

Investments, at cost . . . . .	210,000	210,000
Life insurance, cash surrender value . . . . .	14,727	10,200
	<u>224,727</u>	<u>220,200</u>

#### FIXED ASSETS (note 3)

Land . . . . .	95,079	95,079
Buildings . . . . .	2,008,257	2,006,601
Machinery and equipment . . . . .	5,294,262	5,076,003
Railway siding . . . . .	3,951	3,951
	<u>7,401,549</u>	<u>7,181,634</u>
Less accumulated depreciation . . . . .	<u>1,868,013</u>	<u>1,529,026</u>
	<u>5,533,536</u>	<u>5,652,608</u>

DEFERRED FINANCIAL EXPENSE, less amortization . . . . .	42,099	46,941
	<u>\$8,064,072</u>	<u>\$7,802,242</u>

Approved by the Board  
H. C. MACKAY, Director  
F. W. SIMPSON, Director



## LIABILITIES

### CURRENT LIABILITIES

Bank advances, against which book debts and inventories have been pledged . . . . .		\$ 294,012
Accounts payable and accrued liabilities . . . . .	\$ 632,297	382,834
Income and other taxes payable . . . . .	105,607	57,252
Principal due within one year on long-term debt . . . . .	403,855	374,982

1,141,759 1,109,080

LONG-TERM DEBT (note 4) . . . . . 3,502,697 3,700,410

DEFERRED INCOME TAXES . . . . . 278,280 108,847

### MINORITY INTEREST IN PREFERENCE SHARES OF GALT-BRANTFORD

MALLEABLE LIMITED (note 5) . . . . . 200,000 200,000

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK (note 6)

#### Authorized

2,836 6% Cumulative sinking fund first preference shares, par value \$100, redeemable at up to \$105 per share

779 6¼% Cumulative participating second preference shares, par value \$100, redeemable at up to \$105 per share, (after giving effect to the purchase for cancellation of 20 shares in 1971)

2,000,000 Common shares without par value

#### Issued

336 First preference shares . . . . . 33,600 33,600

279 Second preference shares (299 shares in 1970) . . . . . 27,900 29,900

652,500 Common shares . . . . . 632,702 632,702

694,202 696,202

CONTRIBUTED SURPLUS . . . . . 131,680 131,280

RETAINED EARNINGS . . . . . 2,115,454 1,856,423

2,941,336 2,683,905

\$8,064,072 \$7,802,242

### UNFUNDED PENSION BENEFITS (note 7)



# Galt Malleable Iron Limited

and subsidiary companies

## Consolidated Statement of Income

Year ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Sales . . . . .	\$8,360,270	\$7,389,728
Income before undernoted items . . . . .	\$1,424,886	\$ 738,805
Depreciation . . . . .	339,741	204,069
Amortization of deferred financial expense . . . . .	4,842	4,842
Interest on long-term debt . . . . .	286,865	230,353
Other interest . . . . .	10,452	39,600
Loss on sale of fixed assets . . . . .		24,246
	<u>641,900</u>	<u>503,110</u>
Income before income taxes and minority interest . . . . .	<u>782,986</u>	<u>235,695</u>
Income taxes		
Current . . . . .	240,652	189,279
Deferred . . . . .	169,433	(50,460)
	<u>410,085</u>	<u>138,819</u>
Income before minority interest . . . . .	<u>372,901</u>	<u>96,876</u>
Dividends on preference shares paid to minority shareholders of subsidiary company . . . . .	<u>12,000</u>	<u>12,000</u>
NET INCOME FOR THE YEAR . . . . .	<u>\$ 360,901</u>	<u>\$ 84,876</u>
EARNINGS PER SHARE, based on 1971 capitalization, after deducting dividends on preference shares . . . . .	<u>\$ .55</u>	<u>\$ .12</u>

## Consolidated Statement of Retained Earnings

Year ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Balance at beginning of year . . . . .	\$1,856,423	\$1,775,710
Net income for the year . . . . .	<u>360,901</u>	<u>84,876</u>
	<u>2,217,324</u>	<u>1,860,586</u>
Dividends on		
First preference shares . . . . .	2,016	2,016
Second preference shares . . . . .	1,984	2,147
Common shares . . . . .	<u>97,870</u>	
	<u>101,870</u>	<u>4,163</u>
BALANCE AT END OF YEAR . . . . .	<u>\$2,115,454</u>	<u>\$1,856,423</u>





## Consolidated Statement of Contributed Surplus

Year ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Balance at beginning of year . . . . .	\$ 131,280	\$ 130,980
Discount on second preference shares purchased for cancellation . . . . .	400	300
BALANCE AT END OF YEAR . . . . .	\$ 131,680	\$ 131,280

## Consolidated Statement of Source and Application of Funds

Year ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
<b>SOURCE OF FUNDS</b>		
Operations		
Net income for the year . . . . .	\$ 360,901	\$ 84,876
Items not involving current funds		
Depreciation and amortization . . . . .	344,583	208,911
Deferred income taxes . . . . .	169,433	(50,460)
Discount on bonds purchased for cancellation . . . . .	(4,600)	(2,100)
	870,317	241,227
Advances on long-term debt . . . . .	218,842	1,311,793
Sale of fixed assets . . . . .		28,896
Special refundable tax . . . . .		918
	1,089,159	1,582,834
<b>APPLICATION OF FUNDS</b>		
Additions to fixed assets . . . . .	220,669	1,358,065
Long-term debt paid or included in current liabilities . . . . .	385,055	374,982
Purchase of bonds (par value 1971, \$31,500; 1970, \$11,000) . . . . .	26,900	8,900
Dividends on		
Preference shares . . . . .	4,000	4,163
Common shares . . . . .	97,870	
Increase in life insurance, cash surrender value . . . . .	4,527	4,200
Preference shares redeemed by subsidiary company . . . . .		63,000
Purchase of second preference shares (par value 1971, \$2,000; 1970, \$1,000) . . . . .	1,600	700
	740,621	1,814,010
INCREASE (DECREASE) IN WORKING CAPITAL . . . . .	348,538	(231,176)
WORKING CAPITAL AT BEGINNING OF YEAR . . . . .	773,413	1,004,589
WORKING CAPITAL AT END OF YEAR . . . . .	\$1,121,951	\$ 773,413



# Galt Malleable Iron Limited

and subsidiary companies

## Notes to Consolidated Financial Statements

Year Ended December 31, 1971

### 1. Basis of Consolidation

The subsidiary companies are G.M.I. Properties Limited, a wholly-owned subsidiary, and Galt-Brantford Malleable Limited, a controlled subsidiary.

### 2. Inventories

	1971	1970
Raw materials and supplies .....	\$325,364	\$379,555
Work in process .....	296,704	219,787
Finished goods		
Manufactured .....	55,690	71,280
Purchased for resale .....	98,860	100,858
	<u>\$776,618</u>	<u>\$771,480</u>

Raw materials and supplies and finished goods purchased for resale are valued at lower of cost and replacement cost. Work in process and finished goods manufactured are valued at lower of cost and net realizable value.

### 3. Fixed Assets

Buildings, machinery and equipment are valued at appraised values at May 3, 1956, with subsequent additions at cost. Other fixed assets are at cost.

### 4. Long-Term Debt

	1971	1970
Galt Malleable Iron Limited		
5¼ % First mortgage sinking fund bonds due July 1, 1976, less sinking fund cash of \$5,782 at December 31, 1971 .....	\$ 215,718	\$ 241,500
5½ % General mortgage sinking fund bonds due July 1, 1981 .....	216,000	227,500
9 % Debenture due August 15, 1975 .....	165,738	
Galt-Brantford Malleable Limited		
First mortgage income bonds due January 15, 1974		
6¼ % .....	560,000	640,000
6½ % .....	37,000	49,000
7¼ % Debenture due August 15, 1982 .....	2,044,700	2,184,945
10 % First mortgage bonds due June 15, 1982 .....	661,496	725,347
G.M.I. Properties Limited		
Mortgage payable due January 2, 1977 .....	5,900	7,100
	<u>3,906,552</u>	<u>4,075,392</u>
Less Principal included in current liabilities .....	403,855	374,982
	<u>\$3,502,697</u>	<u>\$3,700,410</u>

These debt instruments are secured by the companies' fixed assets and in addition the debt instruments of the company and Galt-Brantford Malleable Limited are secured by floating charges on all assets and undertakings of the company and its subsidiaries. The company and its subsidiaries have agreed to certain regulation of the following activities:

- (a) Investments
- (b) Purchase and disposal of fixed assets
- (c) Issue of long-term debt
- (d) Issue and redemption of capital stock

Principal on long-term debt due within each of the next five years is as follows:

1972 .....	\$403,855
1973 .....	408,106
1974 .....	828,870
1975 .....	419,598
1976 .....	325,254

### 5. Minority Interest in Preference Shares of Galt-Brantford Malleable Limited

Subsequent to December 31, 1971 the minority interest was reduced by \$100,000 through the redemption of preference shares at par value.

### 6. Capital Stock

By articles of amendment dated May 21, 1971 the company's authorized and issued common share capital was changed as follows:

- (a) The 800,000 authorized common shares previously existing were subdivided on the basis of five for four and 1,000,000 additional shares were authorized for a total of 2,000,000 authorized common shares.
- (b) The 522,000 issued common shares previously issued were subdivided on the basis of five for four resulting in a total of 652,500 issued common shares.

### 7. Unfunded Pension Benefits

The most recent independent actuarial report indicates that the single sum liability for unfunded past service pension benefits not provided for in the accounts at December 31, 1971 is approximately \$192,744.

It is the company's intention to fund this liability by annual instalments (including interest) of \$16,625 through 1988.

### 8. Other Statutory Information

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act, 1970) amounted to \$127,131 (\$144,727 in 1970).





## Auditors' Report

To the Shareholders of  
GALT MALLEABLE IRON LIMITED

We have examined the consolidated balance sheet of Galt Malleable Iron Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Chartered Accountants

Toronto, Canada  
February 22, 1972





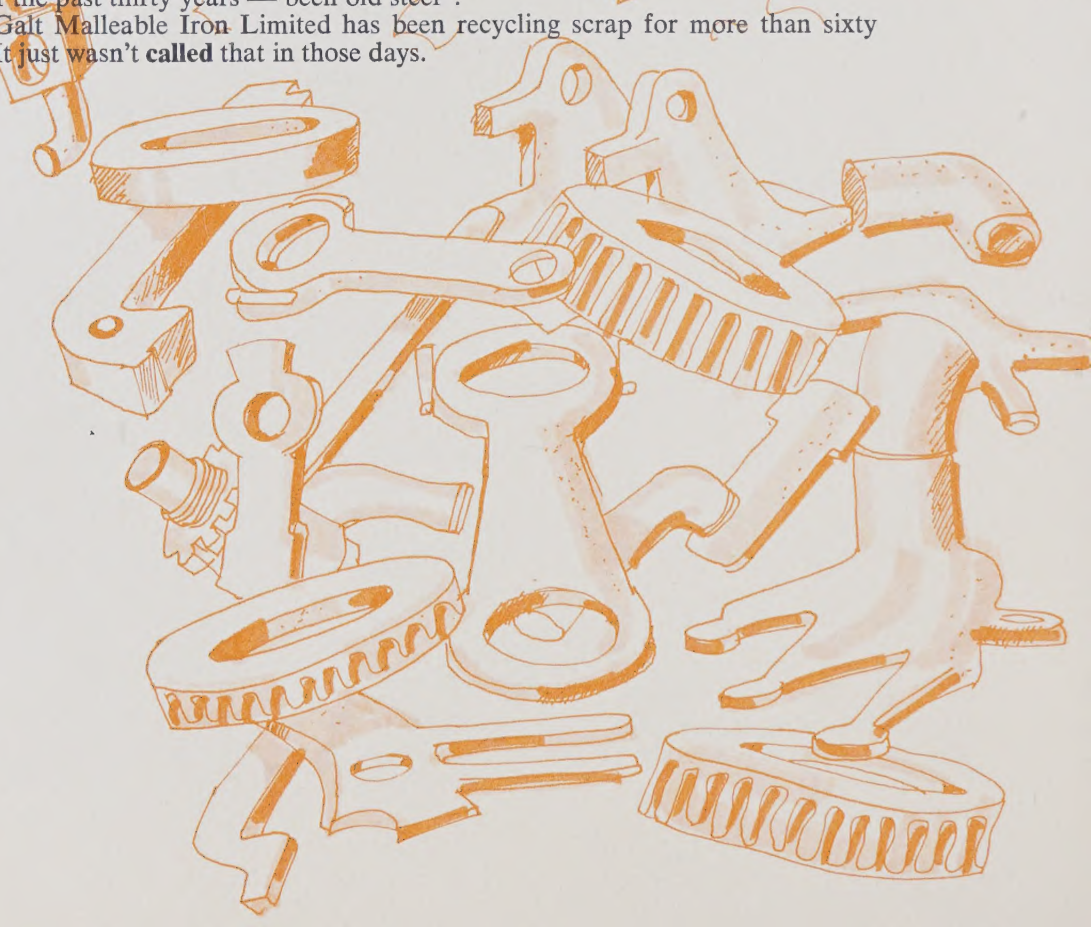
# Recycling

One of the "in" words enjoying prominence these days is "recycling". Economists, ecologists, anti-waste and anti-pollution militants constantly use it in their briefs, their speeches, their newspaper editorials and in TV or radio interviews.

It is important to know that while today recycling is being successfully introduced into many areas of manufacture, major established industries, Galt Malleable Iron Limited among them, have from their very inception, generations ago, been based on that concept.

Every day, the Galt and Brantford foundries use many tons of mild steel structural plate, stampings, "leftovers" and other "new" scrap to make up 50% of their raw material requirements. The steel industry, in recent institutional publicity, has pointed out that "more than half the raw material used for making new steel has — for the past thirty years — been old steel".

Galt Malleable Iron Limited has been recycling scrap for more than sixty years. It just wasn't **called** that in those days.









GALT, ONTARIO